HOUSE BUDGET COMMITTEE

Democratic Caucus

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Republican Reconciliation Package

Cuts Key Services to Fund Tax Cuts

Summary of House Committee Reconciliation Measures

This document has not been reviewed and approved by the Democratic Caucus of the Budget Committee and may not necessarily reflect the views of all members.

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Overview

On Thursday, the House Budget Committee will consider a spending reconciliation bill cutting a number of key services, including Medicaid, student loans, child support, and food stamps. The bill packages together the cuts submitted by eight House authorizing committees as part of this year's reconciliation process. In total, the bill cuts net mandatory spending by $53.9 billion over five years. Floor consideration is expected the week of November 7.

Key Points About Reconciliation

All of these spending cuts will be used to offset tax cuts, not the costs of hurricane response or deficit reduction.

Spending cuts threaten vital services, including services for hurricane victims.

Even with these spending cuts, the Republican budget resolution still increases the deficit by more than $100 billion over five years.

Republicans reveal a double standard in proposing to offset hurricane costs but not war costs or tax cuts.

The $53.9 billion in cuts marks a 56 percent increase from the $34.7 billion in reconciled spending cuts included in this year's budget resolution, and is $14.8 billion higher than the reconciliation cuts that the Senate is considering this week.

Spending Cuts Offset Tax Cuts, Not Hurricane Costs or Deficit Reduction — While some may claim that these reconciled savings will be used to reduce the deficit or offset the cost of hurricane relief efforts, the reality is that these spending cuts will help finance, in part, the $106 billion of tax cuts – $70 billion protected under reconciliation procedures – included in this year's Republican budget resolution. Indeed, the Republican budget resolution called for reconciled spending cuts long before the hurricanes occurred.

Republican Claims About Offsetting Hurricane Costs Reveal Double Standard — The Republican claim about offsetting the cost of hurricane relief is inconsistent with the decision in recent years not to offset tax cuts or supplemental funding for Iraq and other purposes. Why does the Republican leadership insist on offsetting the cost of rebuilding Biloxi but not the cost of rebuilding Baghdad?

Spending Cuts Threaten Vital Services, **Including Services for Hurricane Victims** — To help finance more tax cuts, the reconciliation spending package cuts funding for priorities including Medicaid, student loans, child support, and food stamps. A number of these programs, like food stamps and Medicaid, benefit people who have been affected by the hurricanes.

Highlights of Controversial Cuts — The objectionable cuts included in the reconciliation package include the following:

- ***Medicaid*** — The bill cuts Medicaid spending by $11.9 billion, of which $8.8 billion will fall upon beneficiaries in the form of increases in cost-sharing and premiums, "flexibility" that will allow states to cut benefit packages for certain individuals, and provisions that will make it harder for some seniors to access needed long-term care.

- ***Student Loans*** — The bill cuts spending on student loan programs by $14.3 billion over five years primarily through increases in the interest rates and fees that students pay as well as some reductions in subsidies to lenders. At a time when college costs are rising faster than inflation, the Committee is making the largest cut in the history of the student loan programs.
- ***Food Stamps*** — The legislation imposes cuts to food stamps of $844 million over five years (2006-2010). Savings are achieved by adopting the President's proposal to limit categorical eligibility for food stamps to TANF recipients and increasing the in-country waiting period for legal immigrants to seven years. Under current law, 44 percent of those eligible for food stamps do not participate in the program. Changes such as these may mean even fewer vulnerable children and working families who qualify for nutrition benefits will actually receive them.
- ***Child Support*** **—** The legislation cuts $4.9 billion from child support programs over five years. This cut will reduce states' capacity to establish and enforce child support orders, which will result in custodial parents receiving $7.1 billion less child support over five years and $21.3 billion less over ten years.

Reconciliation Savings

Billions of Dollars, 2006-2010	House	Senate
Medicaid and SCHIP	-11.9*	-4.3
Medicare	No Cut	-5.7
Student Loans	-14.3	-9.7
Child Support	-4.9	No Cut
Food Stamps	-0.8	No Cut
Farm & Conservation Programs	-1.8	-3.8
MILC Extension	No Provision	+1.0
ANWR	-2.5	-2.5
Byrd Amendment	-3.2	No Provision
Pension Insurance	-6.2	-6.7
Spectrum	-8.7	-6.0

* Does not reflect $2.6 billion in spending for Katrina health care relief, most of which is Medicaid

Other Controversial Provisions – The package includes a number of other controversial provisions, including:

- ***Arctic National Wildlife Refuge*** — The legislation opens the Arctic National Wildlife Refuge (ANWR) to oil and gas drilling, as well as allows offshore drilling on the outer continental shelf.
- ***Farm Programs*** — The bill cuts over $1 billion from commodity programs and $760 million from conservation programs.
- ***Byrd Amendment*** **—** The legislation includes a repeal of the Byrd Amendment, which provides that anti-dumping duties be distributed to companies affected by dumped or subsidized imports.
- ***Federal Housing Administration (FHA)*** **—** The bill cuts $270 million by limiting the Department of Housing and Urban Development's (HUD) authority to dispose of FHA-insured multifamily properties that have gone into default. By requiring HUD to secure annual appropriations in order to sell default properties at below-market rates or provide up-front rehabilitation grants to the buyers of these properties, the bill puts at risk HUD's ability to return these properties to the supply of privately owned affordable housing.

Republican Budget Resolution Increases Deficit — Republicans passed a budget resolution this spring that over five years was going to make the deficit $168 billion worse than if they took no budgetary action at all. Even though their spending reconciliation package is likely to reduce spending by about $19 billion more than envisioned by the budget resolution, the Republican resolution would still worsen the budget's bottom line by more than $100 billion.

Democrats Support Fiscal Responsibility — Democrats have a strong track record on fiscal responsibility. In the 1990s, President Clinton and Democrats in Congress worked together to move the budget from record deficits to record surpluses. The budget resolution offered by House Democrats this year balanced the budget by 2012, while the Republican budget never reaches balance, even with these proposed changes. Democrats also support reinstatement of the effective pay-as-you-go (PAYGO) rule that helped take the budget from record deficits in the early 1990s to a $236 billion surplus just five short years ago.

House and Senate Reconciled Spending Cuts, 2006-2010
(Outlays in Billions of dollars)

House Committees		*Senate Committees*	
Agriculture	-3.650	Agriculture, Nutrition, and Forestry	-3.014
Education and the Workforce	-20.422	Banking, Housing and Urban Affairs	-0.570
Energy and Commerce	-17.066	Commerce, Science, and Transportation	-5.984
Financial Services	-0.470	Energy and Natural Resources	-2.501
Judiciary	-0.428	Environment and Public Works	-0.030
Resources	-3.678	Finance	-10.006
Transportation & Infrastructure	-0.156	Health, Education, Labor, and Pensions	-16.431
Ways and Means	-8.048	Judiciary	-0.578
House Total, 2006-2010	***-$53.918***	***Senate Total, 2006-2010***	***-$39.114***

Agriculture Committee

Amount Cut: $3.7 billion over five years.
Reconciliation Target: $3.0 billion.

The reconciliation package approved by the Agriculture Committee reduces spending by $3.7 billion over five years and by $567 million in 2006. In the face of record-high energy prices, natural disasters, and eligible populations having difficulty accessing certain benefits, Republicans chose to cut important safety net programs for farmers and vulnerable families. In contrast, the Senate Agriculture Committee made $3.0 billion in reconciled cuts with none of the cuts coming from food stamps. Instead, the Senate Committee's cuts came entirely from commodity, conservation, and research programs. The Senate Committee also extended the Milk Income Loss Contract (MILC) program at a cost of $998 million over five years.

Food Stamps

The House Agriculture Committee cut $844 million over five years by imposing two new limitations on who can get food stamps. First, the Committee adopted the President's proposal to make it more difficult for families receiving services through the Temporary Assistance for Needy Families (TANF) program to obtain food stamps. Under current law, families who qualify for TANF cash assistance or services such as child care may be deemed eligible for food stamps, as long as they also meet a separate income test specific to the Food Stamp Program. More than 40 states have opted to coordinate their eligibility rules in this way. The Committee legislation restricts this type of coordination to TANF cash assistance only. Low-income families receiving child care assistance or transportation subsidies to help them find and keep a job would now have to meet a different set of standards to qualify for food stamps. This added layer of complexity may deter even more eligible families from applying for food stamps. Right now, 44 percent of those eligible for food stamps do not receive any benefits. An estimated 225,000 people will lose food stamps under this provision, primarily low-income working families with children. In addition, thousands of children who lose food stamps under this provision will also lose access to child nutrition programs such as free school lunches.

The second cut adopted by the Committee prohibits legal immigrants from receiving food stamps until they have been in the United States for at least seven years. The 1996 welfare reform law made most legal immigrants ineligible for food stamps. Only three years ago, recognizing that the 1996 law was too draconian, Congress restored access to food stamps for immigrants who have been in the United States for at least five years. This provision will cause 70,000 legal immigrants, primarily low-income working families with children, to lose food stamps. While legal immigrant children as well as U.S.-born children of immigrants will not be subject to the seven-year waiting period, the reduction in food assistance resulting from the ineligibility of their parents will reduce the level of food assistance for everyone in the household.

Commodity Programs

The Committee cut commodity programs by $1.0 billion over five years and by $553 million in 2006.

- ***One Percent Reduction for Direct Payments* —** The reconciliation measure reduces the total amount of the direct payment to producers by one percent through 2009, saving $211 million over five years.
- ***Reduce Advance Direct Payment to 40 Percent* —** The measure reduces the percentage of direct payments for covered commodities and peanuts that can be paid in advance from 50 percent to 40 percent. This provision saves a total of $513 million.
- ***Eliminate the Cotton Step 2 Program* —** The reconciliation bill repeals the special marketing loan provisions for upland cotton known as "Step 2," which saves $282 million over five years.

Conservation Programs

The Committee cuts vital Farm Bill programs that would help farmers and ranchers protect and enhance natural resources. The Conservation Security Program (CSP), which rewards good conservation stewardship practices, is cut by $504 million over the 2006-2010 period. The Watershed Rehabilitation Program is eliminated, cutting $225 million that goes to localities to rehabilitate aging dams and other flood control structures that are beyond their lifespan and pose a hazard to life and property. The reconciliation bill also eliminates the Agriculture Management Assistance program, designed to assist producers in managing their financial risk, moving to organic production, and implementing conservation practices that will also enhance their productivity. This results in a cut of $31 million over five years. CBO has estimated that these cuts will provide $760 million in savings over the 2006-2010 period.

Rural Development, Research, and Energy Programs

The reconciliation package eliminated several programs related to rural development, research, and renewable energy. In recent years, funding for many of these programs has been limited or reduced by appropriations legislation in order to fund other agriculture programs. The following programs are cut under the Committee's bill:

- ***Renewable Energy Systems and Energy Efficiency Improvements Program* —** cut $23 million.
- ***Enhanced Access to Broadband Telecommunications Services in Rural Areas* —** cut $47 million.
- ***Value-Added Agricultural Product Market Development Program Grants* —** cut $160 million.
- ***Rural Business Investment Program* —** cut $89 million.
- ***Rural Business Strategic Investment Grants* —** cut $100 million.
- ***Rural Firefighters and Emergency Personnel Grants* —** cut $50 million.
- ***Initiative for Future Agriculture and Food Systems* —** cut $620 million.

The conference version of the Agriculture Appropriations bill also reduces or eliminates funding for each of the above programs for 2006. The estimate of the reconciliation bill assumes enactment of the Agriculture Appropriations bill, resulting in higher savings. This is because, in general, when the appropriations measure cancels mandatory funding for 2006, the program is not funded for 2006 but available funding in future years grows by the blocked amount.

Education and the Workforce Committee

Amount Cut: $20.4 billion over five years.
Reconciliation Target: $12.651 billion.

The Education and the Workforce Committee approved reconciliation legislation that cuts direct spending by a net of $20.4 billion over five years; those cuts are $7.8 billion more than required by the budget resolution and $4.0 billion more than approved by the Senate Committee on Health, Education, Labor, and Pensions (HELP).

The House Committee's reconciliation bill cuts $14.3 billion from student loan programs and raises $6.2 billion by increasing the premiums that employers pay to the Pension Benefit Guaranty Corporation. The Committee voted on a bipartisan basis to reject the creation of a new $2.5 billion voucher program for elementary and secondary students displaced by the Gulf Coast hurricanes. Despite a majority vote against this voucher program, Chairman Boehner is sending it along with the Committee's reconciliation submission to the Budget Committee. Such unilateral action is counter to the requirement that a committee vote to approve reconciliation submissions. Including Chairman Boehner's $2.5 billion spending provision, the Committee savings would be $17.9 billion over five years.

Pension Benefit Guaranty Corporation (PBGC)

The Committee raises $6.2 billion over five years by increasing premiums that single-employer pension plans pay to the PBGC. First, the reconciliation bill increases the flat-rate premiums from $19 to $30 per participant in 2006. PBGC could then increase that rate by up to 20 percent annually for the next four years. Second, the bill creates a new $1,250 per participant premium that companies would pay annually for three years after they emerge from bankruptcy. The Senate HELP Committee creates an identical new post-bankruptcy premium but raises the flat-rate premium to $46.75 in 2006 and then indexes it to inflation. In addition, the Senate HELP Committee raises the per participant premium for multi-employer plans from the current $2.60 to $8.00 in 2006, and indexes it to inflation thereafter. Together, the Senate provisions raise $6.7 billion over five years.

Student Loan Cuts

The Committee's reconciliation bill cuts spending on student loan programs by $14.3 billion over five years through a combination of increases in the interest rates and fees that students pay, reductions in subsidies to lenders, and other changes. These changes could cost students up to $5,800 more in interest and fees over the life of their loans, according to estimates by the Committee on the Education and the Workforce minority. Democrats offered an amendment during Committee consideration that would have paid for increases in the federal aid available to help students pay for college by cutting subsidies to lenders.

The Senate HELP Committee cuts student loan spending by a net of $9.7 billion over five years. It makes similar – but not identical – cuts to lender subsidies and the rate of federal insurance against defaults. Unlike the House Committee, the Senate HELP Committee does not change the interest rates students are slated to pay for new loans under current law. However, it does increase the rate on parent loans scheduled to go into effect in July 2006 from a fixed rate of 7.9 percent to 8.5 percent. Finally, the Senate HELP Committee package includes $8.0 billion in new spending that would supplement Pell Grants that does not exist in the House Committee package.

The major provisions in the House Education and the Workforce Committee measure are:

- ***Interest Rates for Students* —** New loans will have variable interest rates capped at 8.25 percent rather than the fixed 6.8 percent rate scheduled for next year. Students who consolidate their loans will have to pay a 1 percent premium if they want to lock in at the variable rate then in place, or they can choose a variable rate: students currently fix their rate based on the average of their underlying loans.

- ***More Fees for Students* —** Students getting Direct Loans will see their origination fees double – from an effective 1.5 percent to 3 percent in 2006 – before they eventually are reduced to 1 percent in 2010. This immediate increase in student origination fees may cause colleges to stop offering loans through the Direct Loan program, which is more efficient for the federal government than the competing Federal Family Education Loans (FFEL) program because it generally has lower federal subsidy costs. Students applying for FFEL loans will face a mandatory 1 percent insurance fee, which banks now often waive. In addition, students who consolidate their loans will have to pay a new 1 percent origination fee.

- ***Lender Subsidies and Fees* —** The bill eliminates the loans that guarantee certain lenders a minimum 9.5 percent return, and ends subsidies that pay lenders above a minimum rate of return (known as "floor income"). The bill also reduces the federal level of loan insurance and the percentage that collection agencies may keep on payments of a defaulted loan. Finally, the bill increases lender origination and consolidation fees.

- ***Budget Gimmick Jeopardizes Loan Programs* —** The bill eliminates all mandatory spending for administration of federal student loans, which shows a savings of $2.2 billion over five years. Either the money becomes appropriated funding, in which case there is no savings to the government, or it is cut, which jeopardizes the continuation of the federal student loan programs.

- ***Other Changes* —** The bill increases the amount that students may borrow from the federal loan programs during their first and second year of college without increasing the aggregate total allowed over five years. It also extends the loan forgiveness program for those who become qualified teachers of math, science, or special education.

Student Loan Changes in Reconciliation Bill (Outlays in Billions of Dollars)	
Student Interest Rates	***Cut, 2006-10***
• Charge variable interest rates capped at 8.25% on new loans.	*see note
• Let consolidators choose between a variable or higher fixed rate capped at 8.25%.	*see note
Student Fees	
• Levy a new 1% fee on all consolidation loans.	*see note
• Double origination fees on Direct Loans to 3%, before slowly lowering them to 1% in 2010. Gradually lower FFEL origination fees from 3% to zero in 2010.	3.720
• Require a 1% insurance fee (which some lenders now waive) on FFEL loans.	-1.470
Lenders	
• Eliminate all "guaranteed 9.5% return" loans.	-1.795
• Eliminate floor on lenders' rate of return.	*see note
• Reduce lender reinsurance and percent of default collections lenders can keep.	-1.410
• Raise lender origination and consolidation fees.	-1.825
Other	
• Increase limits on how much students may borrow in their first two years.	1.585
• End all mandatory spending for loan administration and it subject to appropriations.	-2.206
• Other small provisions.	0.619
• Interaction effects.	-0.298
Total, reconciled student loan cuts	**-14.260**

*Note: All four provisions combined save $11.180 billion.

Committee on Energy and Commerce

Amount Cut: $17.066 billion over five years.
Reconciliation Target: $14.734 billion.

The Energy and Commerce Committee submitted $17.1 billion in spending cuts over five years, consisting of $11.9 billion from net cuts to Medicaid and $8.7 billion in net savings from changes to spectrum policy. The Committee also includes new spending of $2.6 billion for Katrina health care relief (most of which is under Medicaid), and $1 billion for Katrina and Rita energy relief under the Low Income Home Energy Assistance Program (LIHEAP). The Committee makes a number of Medicaid cuts, including allowing increases in cost-sharing, imposition of premiums, and cuts to benefit packages that could cause more than 5 million children to lose their entitlement to preventive screening and medically necessary diagnostic and treatment services.

Medicaid

The Energy and Commerce Committee made gross cuts to Medicaid of $13.4 billion over five years, offset by $1.5 billion in new spending, for a net cut of $11.9 billion. This net cut of $11.9 billion is deeper than the Senate Finance Committee's net Medicaid cut of $4.3 billion. The Energy and Commerce cut also hits Medicaid beneficiaries harder. Specifically, under the Energy and Commerce Committee's recommendations, beneficiaries will face $10 billion in gross spending cuts, offset by $1.2 billion in new spending, for a net effect on beneficiaries of $8.8 billion in cuts.

- ***Increases Cost-Sharing and Imposes Premiums* —** The Committee saves $2.6 billion by allowing states to increase cost-sharing and impose new premiums on many categories of Medicaid beneficiaries. Under the reconciliation legislation states could, for the first time, let providers refuse care if a beneficiary cannot afford the co-payment. There is an extensive body of research demonstrating that when cost-sharing is increased significantly for low-income people, their use of essential health care services declines and their health status worsens.

- ***Allows State "Flexibility" to Cut Benefit Packages for Certain Beneficiaries* —** The

SUMMARY OF MEDICAID CHANGES

Gross Cuts: $13.4 billion
New Spending: $1.5 billion
Net Cuts*: $11.9 billion

	Five-Year Cut
Increased Cost-Sharing and Premiums	-$2.6 billion
Benefit Package "Flexibility"	-$3.9 billion
Tightening of Asset Rules for Access to Long-Term Care	-$2.5 billion
Changes to Prescription Drug Payments	-$2.1 billion
Other Provisions	-$1.8 billion
Benefit Expansions	+$1.0 billion
Net Medicaid Cuts*	-$11.9 billion

*Does not reflect $2.6 billion in spending for Katrina health care relief, most of which is Medicaid.

Committee saves $3.9 billion by allowing states to cut benefit packages for certain beneficiaries. In doing so, a state can bypass an entitlement in current law that provides children with coverage of medical care and health services that will prevent and ameliorate the long-term effects of chronic illness and disability. This change could negatively affect more than one-fifth of children covered by Medicaid — more than 5 million children overall.

- ***Tightens Rules Governing Access to Long-Term Care*** — The Committee included $2.5 billion in savings by tightening the rules governing how assets are counted for determining eligibility for long-term care.

- ***Modifies Payments for Prescription Drugs*** — The bill saves $2.1 billion over five years by changing how Medicaid pays pharmacies for prescription drugs and modifying the Medicaid prescription drug rebate program.

- ***Benefit Expansions* —** The Committee included $1.0 billion in benefit expansions, including an expansion of home and community-based waivers.

- ***Other Provisions* —** Other provisions include tightening requirements governing how an applicant can prove citizenship and restricting access to case management for individuals with multiple complex illnesses, for savings of $1.8 billion.

Katrina Health Care Relief

The Committee submission includes $2.6 billion for Katrina health care relief, almost all of which is to provide full federal funding for the Medicaid and SCHIP costs of Hurricane Katrina evacuees who meet existing eligibility requirements, and for Medicaid and SCHIP recipients living in Louisiana, Mississippi, and certain counties in Alabama.

Spectrum Auctions

The Committee submitted about $8.7 billion in net savings over five years by making changes to spectrum policy. The Committee's submission requires that television broadcasters complete the transition to digital broadcasts by January 1, 2009, a transition that will free up the analog spectrum currently being used by the broadcasters. A portion of this spectrum will then be made available for public safety use, and another portion will be auctioned off – generating new receipts estimated to total about $10 billion.

- ***Insufficient Funding for Transition to Digital Television*** — An estimated 21 million households only have televisions that, unless modified, will not work once the transition to digital broadcasting is completed. The Committee's submission uses about $1 billion of the new receipts to finance and administer the purchase by consumers of the converter box needed to adapt analog television sets to receive digital broadcasts. This amount of funding is expected to be insufficient to hold consumers harmless for the cost of equipping analog televisions with converter boxes. The Senate's reconciliation bill includes $3 billion for this purpose, and the Democratic substitute in the Energy and Commerce Committee would have provided such sums necessary – an estimated $3.5 billion to $4 billion – to finance these analog-to-digital converter boxes.

- ***Less Funding for Public Safety Equipment Than Democrats Proposed*** — The Committee unanimously approved an amendment to use $500 million of the auction proceeds to finance communications equipment for first responders – $235 million of which will be spent within the reconciliation window (2006-2010). This $500 million provision is less than 10 percent of the $5.8 billion proposed by Committee Democrats for this purpose.

Financial Services Committee

Amount Cut: $0.470 billion over five years.
Reconciliation Target: $0.470 billion.

The Financial Services reconciliation submission cuts spending by $470 million over five years by making changes to deposit insurance and the Federal Housing Administration.

Deposit Insurance

The Committee saved $200 million over five years by approving comprehensive legislation designed to modernize the federal deposit insurance system. The legislation increases the coverage limit on insured deposits from $100,000 to $130,000 for most accounts, and it sets up a new risk-based premium structure that will have the effect of increasing premiums paid by insured financial institutions. The new coverage limit is estimated to increase the cost of resolving failed financial institutions, thereby increasing spending by $400 million over five years. The new premium structure will bring in an estimated $600 million in new collections over the next five years, for net savings of $200 million.

Federal Housing Administration (FHA)

The Committee also saved $270 million over five years by eliminating mandatory spending and requiring annual appropriations for certain activities carried out by the Department of Housing and Urban Development (HUD) with regard to properties in mortgage default. Under current law, when FHA-insured multi-family properties go into mortgage default, HUD has authority to sell them at below-market prices in order to preserve the properties as affordable housing. HUD also has the authority to provide up-front rehabilitation grants to the buyers of defaulted properties. The legislation approved by the Committee makes HUD's use of these authorities subject to the availability of annual appropriations, which puts at risk HUD's ability to effectively deal with these properties so that they remain part of the supply of privately owned affordable housing. The requirement for appropriations sunsets after 2010.

Judiciary Committee

Amount Cut: $428 million over five years.
Reconciliation Target: $300 million.

The Judiciary Committee will raise a net total of $428 million by imposing a new fee for certain visa applications and authorizing legislation related to federal judgeships and courts. The Committee approved H.R. 3648, a bill that imposes fees for multinational employers seeking L-1 visas for temporary intracompany transferees. L-1 visas cover nonimmigrant transferees who work in managerial or executive capacities or provide services requiring specialized knowledge. The legislation requires multinational employers to pay a $1,500 fee for each L-1 visa petition. The fees will be deposited in the US Treasury. According to CBO, enacting this legislation will increase collections by $80 million for 2006, and by $500 million over years 2006 through 2010.

The Committee also submitted legislation that authorizes 93 new permanent and temporary judgeships and extends authority for specific judges among certain circuit, district, and bankruptcy courts. The legislation also modifies the circuit court system by redistributing some courts within the Ninth Judicial Circuit into the newly created Twelfth Judicial Circuit. According to CBO, enacting this legislation will increase direct spending by $4 million for 2006, and $72 million over years 2006 through 2010.

Resources Committee

Amount Cut: $3.7 billion over five years.
Reconciliation Target: **$2.4 billion.**

The Committee reconciliation measure opens both the Arctic National Wildlife Refuge coastal plain and the Outer Continental Shelf leasing moratoria areas to oil and gas exploration, provides incentives for companies to mine gold and silver on public lands, fast-tracks the development of oil shale, and sells some federal lands. Last week, the Senate Energy and Natural Resources Committee passed its proposal that only included drilling in the Arctic; due to Byrd Rule limits, the Senate version does not include the labor and environment provisions in the House Resources Committee bill.

According to CBO, the Resources Committee package is slated to raise $3.7 billion in receipts to the federal government over the 2006-2010 period.

- ***Drilling in the Arctic*** — The Committee reconciliation measure opens the Arctic National Wildlife Refuge coastal plain to oil and gas exploration. CBO estimates that opening the Arctic to drilling will net $2.5 billion in proceeds to the federal government over the 2006-2010 period, after distribution of the same amount to the State of Alaska. The State of Alaska is entitled to 90 percent of the receipts under the Alaska Statehood Act and the State legislature opposes a unilateral change by Congress to a 50/50 split. This raises the prospect that the Treasury would ultimately receive only 10 percent of the Arctic proceeds if the State prevails in litigation.

- ***OCS Offshore Drilling*** — The Committee reconciliation measure opens all areas of the Outer Continental Shelf (OCS) to potential oil and gas exploration and development by repealing the offshore drilling moratorium that has been enacted annually by Congress since 1980. An "opt out" provision for states is included, but the measure does include significant financial incentives for coastal states to open OCS lands off of their coastlines. The reconciliation measure also prohibits the government from levying any additional royalties or fees on the oil and gas industry. CBO estimates that this will raise $891 million for the federal government from 2006-2010 (but only $319 million from 2006-2015 due to a provision for states that already permit offshore drilling that would offset 40 percent of the incoming proceeds and due to the diversion of funds to new programs).

- ***Mining Law Amendments*** — The Committee reconciliation measure includes a number of amendments related to mining, including the following:
  - Repeals the current moratorium on mining patents and allows mining companies and individuals to acquire federal land for $1,000 per acre (an increase over established levels, but nowhere near fair market value);
  - Grants companies the right to mine regardless of whether there is valuable mineral deposit within the claim. Under current law, a company must prove it has a properly staked and maintained claim on a valuable mineral deposit before the right to mine is

established. It also limits the government’s ability to reject the transfer of public lands containing hardrock minerals; and

- Prohibits the government from levying any additional royalties or fees on mining operations.

CBO estimates that this will raise $158 million over five years.

- ***Other*** **—** The Committee reconciliation measure also overrides the recently enacted energy bill to restrict states’ rights and subsidize the development of oil shale; sells public land in Nevada and Idaho to mining companies; and sells land in the District of Columbia, obstructing a bipartisan agreement reached between members of the House and the Administration to directly convey these parcels to the District of Columbia (the resulting legislation, H.R. 3699, passed out of the Government Reform Committee by voice vote on September 29, but was sequentially referred to the Resources Committee). CBO estimates that these provisions will raise $128 million over five years.

Transportation & Infrastructure Committee

Amount Cut: $156 million over five years.
Reconciliation Target: $103 million.

Increase Vessel Tonnage Duties

These fees are imposed on the cargo-carrying capacity of vessels that enter the United States from any foreign port or place, or that depart from and return to a United States port or place. The tonnage duties are assessed regardless of whether the vessel is carrying cargo.

In 1990, the 2 cents per ton duty on vessels arriving in the United States from a foreign port in North America, Central America, the West India Islands, the Bahama Islands, and Newfoundland was raised to 9 cents per ton, not to exceed 45 cents per ton per vessel in a single year. In addition, the 6 cents per ton duty on vessels arriving in the United States from any other foreign port was raised to 27 cents per ton, not to exceed $1.35 per ton in a single year. The higher fees were extended twice, but expired in 2002.

For 2006-2010, the Committee increases the 2-cent duty to 4.5 cents per ton, not to exceed 22.5 cents per ton in a single year, and increases the 6-cent duty to 13.5 cents per ton, not to exceed 67.5 cents per ton in a single year. CBO estimates that these changes will increase receipts by $156 million over the 2006-2010 period.

In contrast, the Senate Environment and Public Works Committee rescinded a portion of Alaska's transportation funding, reducing spending by $30 million over the 2006-2010 period. This provision in the recently enacted transportation bill allowed Alaska to spend all of its unobligated contract authority without further appropriation (*i.e.*, exempted the contract authority from obligation limitations).

Ways and Means Committee

Amount Cut: $8 billion over five years.
Reconciliation Target: $1 billion.

The Ways and Means reconciliation submission cuts spending by $8.0 billion over five years. More than half of the cuts come out of human services programs such as child support and foster care. A trade provision reduces spending by $3.2 billion.

Ways and Means Reconciliation Changes, 2006-2010 *(outlays in billions of dollars)*	
Child Support	-4.899
Foster Care	-0.577
Supplemental Security Income	-0.732
Temporary Assistance for Needy Families	+0.926
Child Care	+0.434
Continued Dumping and Subsidy Offset	-3.200
Total	***-$8.048***

In contrast, the Senate Finance Committee did not cut spending for any of these programs. Instead, the Finance Committee reached its reconciliation target through a total of $10 billion in cuts to Medicare and Medicaid over five years, including $5.7 billion in net Medicare cuts and $4.3 billion in net Medicaid cuts.

Human Services

Child Support — The Committee cut $4.9 billion over five years by reducing federal spending on child support programs run by states. Most of the savings result from reducing the federal matching rate to states from 66 percent to 50 percent of program costs. This cut will reduce states' capacity to help families establish legal child support orders and enforce orders to make sure that child support owed actually gets paid. This in turn will reduce the resources available to single parents and harm efforts to strengthen families by keeping both parents financially and emotionally involved in their children's lives. CBO estimates that the reconciliation bill's reduction in the federal commitment to child support programs will result in custodial parents receiving $7.1 billion less child support over five years and $21.3 billion less over ten years.

Foster Care — The Committee cut $397 million over five years by limiting children's eligibility for federally funded foster care payments (payments made to a foster care provider on behalf of the child). The Committee saved another $180 million by limiting circumstances under which states can receive federal funding for services provided to children in certain settings, such as non-licensed foster homes. These two provisions essentially shift costs to states. Unless states are able to devote new resources to foster care, they may cut services and increase caseloads in a system that in many states is already overburdened and underfunded.

Supplemental Security Income (SSI) — The Committee cut spending by $425 million by requiring that retroactive SSI benefits exceeding three times the maximum monthly benefit (currently $579) be paid to beneficiaries in installments over the period of a year. Current law requires installment payments for retroactive SSI benefits exceeding 12 times the maximum benefit. About 750,000 individuals per year become eligible for SSI. Many are entitled to retroactive benefits resulting from the lengthy nature of the disability determination process. Initial determinations take three months, on average. The appeals process for denied claims often takes more than a year. The Committee also saved $307 million by requiring that the Social Security Administration review 50 percent of new disability benefit awards to ensure that the finding of disability is accurate before starting payments, thereby avoiding erroneous payments.

Welfare Reform **—** The Committee reconciliation package includes comprehensive legislation to renew the Temporary Assistance for Needy Families (TANF) program. The legislation freezes the basic block grant, increases work requirements, and eliminates two performance bonus programs (saving $1.1 billion). Part of the savings from eliminating the bonus programs is used to provide $349 million for new marriage promotion activities, and $409 million for new research projects. The legislation also extends supplemental grants, at a cost of $1.2 billion over five years. The net effect of the TANF provisions is to increase spending by $926 million over five years relative to CBO's estimate of current services. There appears to be an increase in spending only because the extension of supplemental grants is excluded by law from CBO's projections of current services, even though the grants have been in place for nine years. Adjusting for this scoring factor, total TANF spending in the bill actually declines by $239 million.

Child Care **—** The bill increases child care funding above current-law levels by $500 million over five years. This increase is not enough to keep pace with inflation, let alone cover the additional demand for child care created by the bill's increased work requirements for welfare recipients. Consequently, the total number of children receiving child care assistance will decline by more than 100,000 within five years. CBO estimates that complying with the increased work requirements in the Committee bill will increase states' costs over the next five years by $4.1 billion for child care and $4.2 billion for work activities. States will likely shift existing child care resources to TANF recipients facing new work requirements. The Center on Budget and Policy Priorities estimates that 270,000 children of low-wage working parents who are *not* on welfare would lose child care assistance as a result.

Continued Dumping and Subsidy Offset (Byrd Amendment)

The Committee saved $3.2 billion over five years by repealing the Continued Dumping and Subsidy Offset, also known as the Byrd Amendment. Current law requires that anti-dumping duties paid by overseas firms be distributed directly to the U.S. industries affected by the dumping. Repeal of this requirement means that the anti-dumping duties will stay in the Treasury.

Reconciled Spending Cuts (Outlays in Billions of Dollars)			
House Committee	*Budget Resolution*	*Excess Cuts Made*	*Total Cuts*
Agriculture	-3.000	-0.650	-3.650
Education and the Workforce	-12.651	-7.771	-20.422
Energy and Commerce	-14.734	-2.332	-17.066
Financial Services	-0.470	0.000	-0.470
Judiciary	-0.300	-0.128	-0.428
Resources	-2.400	-1.278	-3.678
Transportation and Infrastructure	-0.103	-0.053	-0.156
Ways and Means	-1.000	-7.048	-8.048
Total Cuts, 2006-2010	***-34.658***	***-19.260***	***-53.918***